

VZCZCXRO3679
OO RUEHCN RUEHGH
DE RUEHBJ #7118/01 1041234
ZNY CCCCC ZZH
O 141234Z APR 06
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2992
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEHGG/UN SECURITY COUNCIL COLLECTIVE
RUEHWH/WHA DIPLOMATIC POSTS COLLECTIVE
RUEAIIA/CIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RHHMUNA/HQ USPACOM HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 05 BEIJING 007118

SIPDIS

SIPDIS

STATE FOR WHA/FO, WHA/EPSC

E.O. 12958: DECL: 04/14/2026
TAGS: [PREL](#) [ETRD](#) [ECON](#) [CH](#)
SUBJECT: U.S.-CHINA LATIN AMERICA SUBDIALOGUE: A/S
SHANNON'S DISCUSSIONS WITH DG ZENG GANG

BEIJING 00007118 001.2 OF 005

Classified By: Political Minister Counselor Daniel
Shields. Reasons 1.4 (b/d).

Summary

11. (C) China attaches great importance to U.S.-China bilateral cooperation on Western Hemispheric affairs, MFA Director General for Latin American and Caribbean Affairs Zeng Gang told A/S Shannon at the commencement of the first U.S.-China Subdialogue on Latin America under the U.S.-China Senior/Strategic Dialogue. DG Zeng said U.S.-China cooperation can facilitate relations between the United States, China and Latin America. The PRC agrees that peaceful development, market-oriented reforms and democratic governance contribute to Latin America's current stability. Latin America is gaining clout in the international community but faces key development and social justice challenges. China's involvement in Latin America is not a threat to U.S. security interests. China seeks to greatly increase trade and investment with Latin America in the years ahead. The PRC seeks assurances the United States will not block PRC efforts to establish diplomatic relations with Latin American countries that now recognize Taiwan. China is keen to expand U.S.-China business cooperation in Latin America. China appreciated U.S. support for China's observer status in the Organization of American States and seeks U.S. support for Inter-American Development Bank observer status. China supports MINUSTAH and looks forward to continued close cooperation on Haiti, DG Zeng added. A/S Shannon underscored strong U.S. and Latin American commitment to the democratic and market-oriented reforms that have brought stability to the region. He highlighted U.S. efforts to increase access to economic opportunity and promote social development in Latin America. End Summary.

12. (C) WHA A/S Thomas A. Shannon met Zeng Gang, MFA Director General for Latin American and Caribbean Affairs, on April 14 at the commencement of the first U.S.-China Subdialogue on Latin America under the U.S.-China Senior/Strategic Dialogue. See para 17 for list of participants. DG Zeng briefed A/S Shannon on China's perspectives on the current Latin American

polity, regional goals and Chinese policies. In China's view, Latin America has witnessed relative stability with some economic development in recent years. In the eighties Latin American countries returned their governments to the people and thereby enhanced stability, although many political structures are not yet matured. China's overarching regional goals are to support continued peace, stability and democratic rule in Latin America. Latin American countries have made the decision to join the globalization trend, which means that in addition to their traditional relationship with the United States, they are exploring new relationships within the region and countries outside the region. While these trends are positive, challenges remain due to an imbalance between economic growth and social development that can cause instability and social turmoil. As such, addressing social injustice has become a top priority for many Latin American governments, DG Zeng noted.

13. (C) According to DG Zeng, China has no geopolitical ambitions in the Western Hemispheric region. China neither exports ideology nor poses a threat to the regional interests of other countries. China will pursue regional peace and stability by strengthening political, economic and cultural cooperation and enhancing its relationships with Latin American government officials and political parties. The PRC has diplomatic relations with 21 of 33 countries in Latin America and the Caribbean. Latin America cooperates closely with China on United Nations reform and assisted China's accession to the World Trade Organization (WTO). In return, China supported the entry of Latin American countries into the WTO as well, DG Zeng said.

BEIJING 00007118 002.2 OF 005

PRC Seeks Increased Trade

14. (C) Seeking increased trade with Latin American countries is a natural outgrowth of China's market reforms and Latin America's embrace of globalization and economic development, DG Zeng noted. It is a "win-win" situation. China's economic footprint in Latin America remains comparatively light. In 2005, China-Latin America trade totaled USD 50.457 billion. China ran a USD 3.1 billion trade deficit with Latin America, with exports of USD 23.68 billion against imports of USD 26.78 billion. Although China-Latin America trade doubled since 2000, it accounted for only 3.54 percent of China's total 2005 trade volume and only 5.25 percent of Latin America's global trade. In 2005, China's exports accounted for only 5.19 percent of Latin America's total imports and China's foreign direct investment (FDI) totaled only USD 4 billion, or 7.7 percent of China's total overseas investment. China's FDI is a fraction of U.S. FDI in Latin America. The PRC expects Latin American bilateral trade to continue growing despite such impediments as geographic distance, DG Zeng added.

15. (C) DG Zeng downplayed China's energy ambitions in the region. China's long-term policy is to rely on domestic sources for energy, minimally supplemented by external sources, DG Zeng said. 90 percent of China's energy consumption is provided by domestic sources. China imports only 5-6 percent of the oil on the global market and only 2.4 percent of China's oil comes from Latin America. Geographic distance and the limited financial and technical strength of Chinese oil companies, along with latecomer status, deter China's entry into Latin American oil and gas markets. China believes exploration and development of new oil

reserves in Latin America will increase world oil output and thereby ease pressure on prices, help create new jobs in Latin America and bring associated benefits to the region, DG Zeng noted.

PRC Says Military Ties Not A Threat

16. (C) As for military cooperation, DG Zeng said China's actions do not pose a threat to third party interests. China has never stationed troops overseas and remains committed to nonalignment (i.e. no multi-lateral military organizations) and non-confrontation. China's military cooperation with Latin America is strictly controlled and undertaken with the goal of strengthening underlying relations. China's military cooperation with 19 Latin American countries includes visits at various levels and academic exchanges between military academies. Typical military support and assistance covers logistics, medical and office supplies and sports equipment. Chinese military assistance is unconditional and does not involve offensive weapons. In pursuing military cooperation, China considers regional sensitivities. The PRC does not interfere in internal affairs and seeks only to improve countries' defensive capabilities. PRC assistance therefore will not destabilize the region. Charges by some that China's military cooperation with Latin America poses a threat to U.S. military interests is "unfounded" and "absurd," DG Zeng said.

A/S Shannon Stresses Democracy and Trade

17. (C) DG Zeng concluded his prepared remarks by noting the PRC seeks deeper U.S.-China cooperation on Latin America, which is in the interest of continued Latin American growth and stability. In response, A/S Shannon outlined U.S. policies and objectives in the Western Hemisphere. He noted that while U.S. policy is based on U.S. interests, it also comports with goals identified through considerable multilateral discussions with regional partners, particularly in the Summit of the Americas (SOA) and Organization of

BEIJING 00007118 003.2 OF 005

American States (OAS). Both mechanisms represent the fundamental commitment of the region's leaders to democratic governance, which is a requirement for participation. U.S. policy has four objectives: to strengthen democratic institutions; to bolster regional security; to promote prosperity and to invest in people. A/S Shannon elaborated on each point, stressing that the USG believes that democratic governance, free trade and economic integration are the best means of addressing the region's socio-economic challenges.

18. (C) A/S Shannon stressed the primary security threats to the Western Hemispheric region are nontraditional. Terrorism, organized crime and narco-trafficking weaken states, demoralize people and perpetuate corruption and violence. U.S. policy therefore emphasizes not only mil-mil contacts, but also intelligence and law enforcement cooperation. Security must be addressed multilaterally. The USG seeks to promote prosperity through free trade agreements that open markets to U.S. direct investment and encourage competition, flexibility and efficiency to meet the challenges of globalization. Finally, the United States is committed to ensuring that people have meaningful access to economic opportunity. The Administration doubled development assistance since 2001 to USD 1.6 billion and has Millennium Challenge Account compacts with three countries in the region, with two more under discussion, that will assist

national infrastructure projects designed to increase market access, A/S Shannon noted.

Taiwan

19. (C) DG Zeng said that China's vital national interests include seeking to establish diplomatic relations with countries in the Western Hemisphere that now have "so-called" diplomatic relations with Taiwan. The PRC seeks U.S. support, or at least a commitment that the U.S. will not oppose, China's efforts to develop diplomatic ties in the region. Currently 12 Latin American and Caribbean countries have yet to establish diplomatic relations with the PRC. Taiwan's authorities use relations with these countries as tools to further their secessionist activities and damage China's core national interests. China and the United States share a common interest in reducing political corruption. Taiwan is the greatest contributor to political corruption through its so-called "dollar diplomacy" that essentially bribes Latin American officials for support. The media has exposed Taiwan's bribes to top officials in Costa Rica, Nicaragua, Panama and Honduras. DG Zeng contended that former Costa Rican President Rodriguez was forced to resign as OAS Secretary over one such scandal, adding that these public disclosures only represented the tip of the iceberg.

110. (C) Even where the PRC does not have diplomatic relations with the governments, the PRC Government and people maintain good relations with the people and countries, DG Zeng said. The PRC is prepared to work on the basis of United Nations resolutions and the one-China principle to establish state-to-state relations with all countries in Latin America and the Caribbean. Such relations will bring mutual benefit to both sides, especially in light of rapid economic globalization. Establishing diplomatic relations is a necessary and inevitable trend. Most of the countries that do not recognize the PRC are small and poor. Formal diplomatic relations will enhance development and stability. This is in the interests of both China and the United States. The PRC hopes the United States will cooperate to stop support in the region for Taiwan's secessionist tendencies. Most Latin American countries with relations with Taiwan realize they are being used and that relations with Taiwan are not the way forward and will tarnish their international images. However, Zeng contended, some of the leaders of these countries have told the PRC

BEIJING 00007118 004.2 OF 005

that they must take U.S. concerns into account when deciding whether to establish relations with the PRC. Because China has relations with the United States, the PRC Government has every reason to believe the United States has no reason to oppose other countries' pursuing this course. The PRC seeks clarification of U.S. views and hopes the USG will play a constructive role, or at least not stand in the way of PRC objectives, Zeng said.

111. (C) In response, A/S Shannon said the United States is not in a position to dictate to other countries with whom they can establish and maintain diplomatic relations. Each country determines its own diplomatic relations. Even in the Western Hemisphere, one country does not have ties with the United States. The United States does not encourage or discourage countries on establishing or maintaining diplomatic relations with the PRC, A/S Shannon said. Polmincouns added that the U.S. one China policy remains based on the Three Joint Communiques and the Taiwan Relations Act.

PRC: Ready To Cooperate

¶12. (C) DG Zeng offered the PRC's initial views on areas for potential U.S.-China cooperation in the Western Hemisphere. China and the United States both attach great importance to relations with Latin America, DG Zeng noted. China has an open and constructive attitude on close exchanges and cooperation for relations between China, the United States and other countries in the Western Hemisphere. With respect to U.S. regional policy objectives of strengthening democratic institutions, bolstering regional security, promoting prosperity and investing in people, the PRC is ready to cooperate and coordinate with the United States, DG Zeng said.

PRC Supports Joint Business Projects

¶13. (C) China is ready to discuss trade and economic cooperation with the United States, especially joint trade and business activities, DG Zeng said. Chinese companies currently have sound cooperation with U.S. companies in Latin America. For example, Nutech has worked with a U.S. company exporting equipment to Latin America under the Port Security Initiative. Lenovo and IBM joint products have penetrated markets in Brazil and a number of other countries. Haier Electronics and China's Min Metals have both enjoyed good cooperation with U.S. companies. U.S. and Chinese companies could potentially cooperate in the future on joint exploration and development projects of oil and gas resources in places like Mexico or Bolivia. China is willing to help with natural disasters, which have taken a toll on Latin America. China helps Latin America to the best of its capacity and would like to explore further cooperation with the United States on disaster relief and prevention, DG Zeng said.

PRC Please With OAS Observer Status

¶14. (C) DG Zeng thanked A/S Shannon for U.S. support for China's OAS observer status. The PRC views the OAS as a platform for multilateral cooperation. The PRC permanent observer office has received a great deal of support from the USG. China is willing to enhance bilateral cooperation through this and other multilateral institutions. The People's Bank of China is prepared to join the Inter-American Development Bank and believes China's participation will enhance Latin American socio-economic development. China seeks active U.S. support for IDB observer status, DG Zeng said.

¶15. (C) A/S Shannon noted the IQ will play an increasingly important role matching policies and

BEIJING 00007118 005.2 OF 005

resources and he said he would convey China's interest in observer status to the Treasury Department. The OAS can be a significant platform for U.S.-China cooperation through the various commissions established to address hemispheric challenges, such as natural disasters, terrorism and corruption. The OAS needs funding for the voluntary and specific funds that help OAS commissions address these challenges. If the PRC is interested in increasing its contributions to these funds, the United States can facilitate a meeting with its OAS permanent representative, A/S Shannon said. A/S Shannon added that 2006 will be an active year in Latin American politics, with elections in Mexico, Venezuela,

Nicaragua, Colombia, Ecuador and Brazil, along with a second round in Peru. The USG appreciated the fact that China advised Bolivian President Morales to seek good relations with the United States. The United States is prepared to consult with China on reaffirming positive themes with the new governments as they come to office, A/S Shannon added.

PRC Proud of MINUSTAH Cooperation

¶16. (C) Finally, DG Zeng noted that China supports UN Resolution 1658 and MINUSTAH peacekeeping operations (PKO) in Haiti. China sent police units to Haiti and supported extending MINUSTAH's mandate. China shares the U.S. position on Haiti and wants to enhance cooperation in this and other areas, DG Zeng said. A/S Shannon responded that PRC support for MINUSTAH, and extending and participating in the PKO, is both welcome and important. MINUSTAH represents a unique commitment by Latin America, which has historically viewed Haiti as a U.S. problem. After the collapse of the Aristide Government, Latin American governments recognized the need to participate in stabilizing the country, signaling a growing Inter-American solidarity. The challenge now is to move MINUSTAH from elections to addressing national reconstruction and development challenges. China's participation in security operations is important because without security, it will be hard for the new government to establish itself. The incoming Preval Government's May 14 inauguration presents an important opportunity for the democratic process to take hold and begin task of rebuilding the nation. The United States looks forward to further consultations and cooperation with China on MINUSTAH going forward, A/S Shannon said.

¶17. (U) Participation:

United States

WHA A/S Thomas A. Shannon
Mr. John Creamer, WHA Senior Executive Assistant
Polmincouns
Poloff (Control Officer)
Poloff (Notetaker)
Poloff (Notetaker)
Embassy Interpreter

MFA Dept of Lat. Amer. and Carib. Affairs

Mr. Zeng Gang, Director General
Mr. Wei Qiang, Counselor
Liang Yu, Director
Ms. Fu Xingrong, Deputy Director
Mr. Nie Quan, Third Secretary
Mr. He Yuan, Third Secretary
Ms. Guan Tapei, Third Secretary
Ms. Fang Bing, Interpreter
Mr. Wang Yu, Second Secretary
(Office of Policy Analysis)
RANDT